Briefs

## Field Crops

# Price Pressure on Major Field Crops To Continue in 1999/2000

*Large supplies of the major U.S. field crops are expected to persist in 1999/2000, with season-average farm prices stabilizing or declining, according to USDA's first forecast of production and prices. Wheat is an exception, however, with production expected to decline and the season-average farm price to rise slightly. While domestic consumption of soybeans and many grains is projected to remain strong because of low prices, the export situation will vary by crop. Export growth is expected for soybeans, wheat, and cotton, but for feed grains and rice, growth will be limited or nonexistent because of large supplies in some competing countries and small import demand growth in other areas.*

U.S. *soybean* supplies for 1999/2000 are expected to be record large, exceeding 3 billion bushels for the first time. Production is also expected to set a record, partly because the soybean loan rate supports higher expected returns this year relative to alternative crops. With large U.S. and foreign supplies expected, the U.S. farm price is projected down, at $3.95-4.75 per bushel. The midpoint, $4.35 per bushel, has not been this low since 1972/73.

Large supplies and low prices will encourage soybean use in 1999/2000. A modest gain is projected for domestic crush, based on improved crush earnings. USDA projects record U.S. soybean exports following this year's decline. Foreign demand for U.S. soybeans and soybean meal is expected to rebound as world import prospects improve and export competition declines, although resumption of Asian palm oil production will constrain export demand for soybean oil. Larger carry-in stocks and record output will outweigh increases in domestic and foreign demand, boosting projected ending soybean stocks to a record.

U.S. *corn* supplies are expected to increase by about 1 percent in 1999/2000, as an increase in carry-in stocks more than offsets a projected drop in production. Producers, responding to lower prices, are expected to reduce acres to 78.2 million, down 2 percent from a year earlier. With the increase in supply nearly offset by rising consumption, the U.S. farm price forecast, at $1.80-$2.20 per bushel, has the same midpoint as the 1998/99 forecast.

Despite an expected drop in production from a year earlier, the 1999 U.S. corn crop is forecast to be the fourth largest ever. Ending stocks are expected to build slightly with production slightly above total use. Slow growth in domestic use reflects stable feed and residual use and a 3-percent increase in food, seed, and industrial use. U.S. corn exports are expected to increase only slightly, due to continued strong competition from China and Argentina.

U.S. *wheat* producers are reducing total area in 1999 largely due to low prices. Despite a smaller wheat crop expected for 1999, large carry-in stocks are expected to result in the second-largest supply in the 1990's. U.S. wheat prices for 1999/2000 are expected to rise to $2.60-$3.10 per bushel, compared with a forecast $2.65 in 1998/99.

Domestic consumption is expected to fall slightly as the decline in feed and residual use more than offsets the gain in food use. Feed use drops because of higher wheat prices and continued weakness in corn prices, while food use is expected to resume its growth after a 1-year pause.

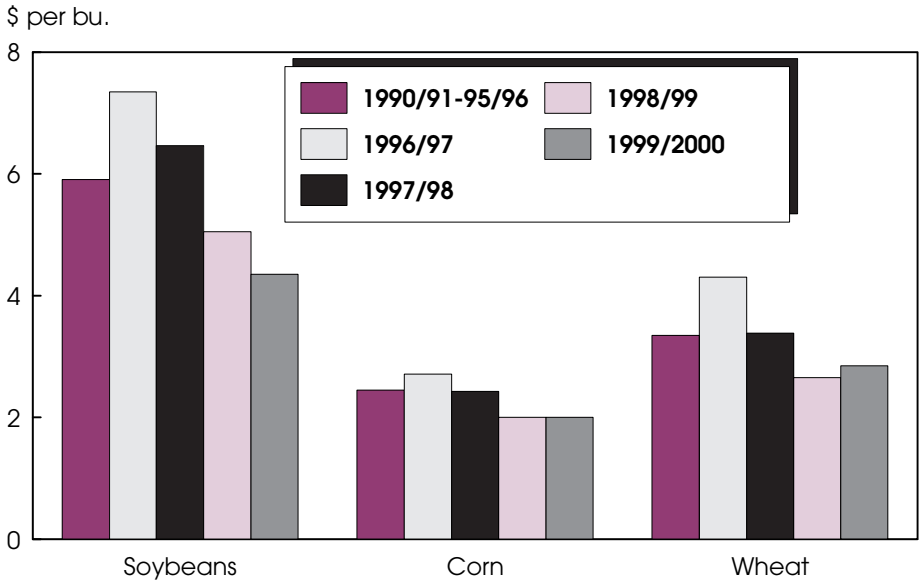
**U.S. Field Crops—Market Outlook**

| | Area | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Planted | Harvested | Yield | Production | Total supply | Domestic use | Exports | Ending stocks | Farm price |
| | *Mil. acres* | | *Bu/acre* | *Mil. bu* | | | | | *$/bu* |
| Wheat | | | | | | | | | |
| 1998/99 | 65.9 | 59.0 | 43.2 | 2,550 | 3,371 | 1,352 | 1,050 | 969 | 2.65 |
| 1999/2000 | 63.0 | 55.4 | 40.5 | 2,245 | 3,309 | 1,290 | 1,150 | 869 | 2.60-3.10 |
| Corn | | | | | | | | | |
| 1998/99 | 80.2 | 72.6 | 134.4 | 9,761 | 11,084 | 7,485 | 1,825 | 1,774 | 1.95-2.05 |
| 1999/2000 | 78.2 | 71.6 | 131.8 | 9,445 | 11,229 | 7,550 | 1,850 | 1,829 | 1.80-2.20 |
| Sorghum | | | | | | | | | |
| 1998/99 | 9.6 | 7.7 | 67.3 | 520 | 569 | 320 | 185 | 64 | 1.65-1.75 |
| 1999/2000 | 8.8 | 7.7 | 69.0 | 530 | 594 | 320 | 190 | 84 | 1.50-1.90 |
| Barley | | | | | | | | | |
| 1998/99 | 6.3 | 5.9 | 60.1 | 352 | 497 | 340 | 30 | 127 | 1.95 |
| 1999/2000 | 5.3 | 4.8 | 60.6 | 292 | 454 | 307 | 30 | 117 | 1.85-2.25 |
| Oats | | | | | | | | | |
| 1998/99 | 4.9 | 2.8 | 60.4 | 167 | 346 | 270 | 2 | 74 | 1.15 |
| 1999/2000 | 4.7 | 2.7 | 59.6 | 160 | 334 | 261 | 2 | 71 | 0.95-1.35 |
| Soybeans | | | | | | | | | |
| 1998/99 | 72.4 | 70.8 | 38.9 | 2,757 | 2,963 | 1,763 | 770 | 430 | 5.05 |
| 1999/2000 | 73.1 | 72.0 | 40.0 | 2,880 | 3,315 | 1,790 | 930 | 595 | 3.95-4.75 |
| | | | *Lbs./acre* | *Mil. cwt (rough equiv.)* | | | | | *$/cwt* |
| Rice | | | | | | | | | |
| 1998/99 | 3.35 | 3.32 | 5,669 | 188.1 | 225.2 | 109.8 | 85 | 30.4 | 8.55-8.75 |
| 1999/2000 | 3.58 | 3.55 | 5,831 | 207.0 | 247.2 | 112.6 | 84 | 50.6 | 6.00-7.00 |
| | | | *Lbs./acre* | *Mil. bales* | | | | | *¢/lb.* |
| Cotton | | | | | | | | | |
| 1998/99 | 13.39 | 10.68 | 625 | 13.9 | 18.2 | 10.5 | 4.1 | 3.6 | 61.5 |
| 1999/2000 | 13.94 | 13.0 | 665 | 18.0 | 21.7 | 10.6 | 5.5 | 5.5 | * |

Based on May 12, 1999 *World Agricultural Supply and Demand Estimates.*
*USDA is prohibited from publishing cotton price projections.

Economic Research Service, USDA

## Soybean Prices to Drop for Third Consecutive Year




U.S. season-average farm prices. Lbs./bu.: corn = 56, wheat and soybeans = 60. 1999/2000 forecast.

Economic Research Service, USDA

Wheat exports are projected to be higher in 1999/2000 as world imports rise because of low production in some key importing countries. However, the U.S. will face continued strong export competition from Australia, Argentina, Canada, and the European Union (EU). The EU is the only major competitor whose production will decline.

U.S. *rice* production is expected to be a record 207 million cwt in 1999/2000 (up 10 percent), resulting in record rice supplies. Producers are expected to plant 3.58 million acres, the second-highest area on record and the largest since 1981. With total use expected to increase only marginally, ending stocks are projected to increase sharply and reach the highest level since 1986/87. Record supplies and modest growth in total use will push down the season-average farm price to $6-$7 per cwt., compared with $8.55-$8.75 in 1998/99.

Domestic rice consumption is projected to expand nearly 3 percent. Food use, accounting for all of the expansion, is driven primarily by greater ingredient use. In contrast, exports are projected to drop slightly as rough (unmilled) exports decline as a result of weaker shipments to Latin America, more than offsetting an increase in milled shipments.

*Cotton* production in 1999/2000 is projected to be 18 million bales, 29 percent above last year. Despite 3 years of declining prices, producers are expected to plant 13.9 million acres, similar to 1997/98 but up 4 percent from last season, as competing crops are less attractive. Intended 1999 cotton acreage is up in all regions except the West.

Domestic mill use is projected up only slightly to 10.6 million bales, as rising textile imports are expected to nearly offset growth in retail cotton consumption.

With larger supplies and decreased foreign competition, U.S. cotton exports are expected to increase to 5.5 million bales. Expected U.S. share of world trade is 22 percent, up from 17 percent last year. U.S. ending stocks are expected to jump 50 percent, contributing to a hefty increase in the stocks-to-use ratio as supplies grow faster than consumption. AO

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Planted area for field crops, excluding winter wheat, is based on USDA's *Prospective Plantings* report for 1999, released on March 31. Harvested area is based on historical averages for harvested-to-planted ratios. Yields are derived from historical trends or averages, except for winter wheat where survey results are used. Since planting is still underway and harvest is several months away for most crops, final production levels will depend on growing conditions. U.S. crop prices will be influenced not only by weather in the U.S. and other countries, but also by changing U.S. and global demand conditions.

### Upcoming Reports—USDA's Economic Research Service

The following reports will be issued electronically on dates and at times (ET) indicated.

**June**

2 *Outlook for U.S. Agricultural Trade**
11 *World Agriculture Supply & Demand Estimates (8:30 am)*
14 *Cotton and Wool Outlook (4 p.m.)***
*Oil Crops Outlook (4 p.m.)***
*Rice Outlook (4 p.m.)***
15 *Feed Outlook (9 a.m.)***
*Wheat Outlook (9 a.m.)***
21 *U.S. Agricultural Trade Update (3 p.m.)*
29 *Livestock, Dairy, & Poultry (4 p.m.)***

**July**

12 *World Agricultural Supply & Demand Estimates (8:30 a.m.)*
13 *Cotton and Wool Outlook (4 p.m.)***
*Oil Crops Outlook (4 p.m.)***
*Rice Outlook (4 p.m.)***
14 *Feed Outlook (9 a.m.)***
*Wheat Outlook (9 a.m.)***
20 *Agricultural Outlook**
22 *Vegetables and Specialties Yearbook**
23 *U.S. Agricultural Trade Update (3 p.m.)*
27 *Livestock, Dairy, and Poultry (4 p.m.)*

*Release of summary, 3 pm
**Available electronically only

Briefs

**Livestock, Dairy, & Poultry**

# Meat & Poultry Production To Remain Strong in 2000

*Red meat and poultry production in 2000 is forecast at nearly 80 billion pounds, virtually unchanged from expected record production in 1999. Increased poultry production, bolstered by continued profitability and low corn and soybean meal prices, will about offset modest declines in beef and pork output. Due to poor returns in the cattle and hog sectors, producers have reduced the number of animals kept for breeding.*

*Large red meat and poultry supplies, combined with a lackluster export market, will continue to pressure prices in 2000. Broiler prices will continue to decline from record levels reached in 1998. Cattle and hog prices will continue to recover some from extreme lows reached in 1998. Red meat and poultry exports are expected to remain sluggish, a trend that began with the economic problems in Asia that hammered exports in second-half 1998.*

Beef production is likely to decline 5-6 percent in 2000 as producers retain more heifers for breeding stock and place fewer on feed for slaughter. Also, steer and cow slaughter will continue to decline, reflecting reduced cattle inventories.

Current herd liquidation reduces future supplies, but adds to beef supplies in the short run as female stock—cows and heifers—is slaughtered. Although cow slaughter has been declining, too few heifers have been retained to stabilize cow numbers, much less to begin expansion (*AO* May 1999). Heifer slaughter is relatively large in 1999, and many of the heifers that might have been bred this spring and summer to begin an expansion during 2000 have already been placed on feed. These additional heifers on feed are adding to this year's beef supplies, and production is now likely to be less than 1 percent below the 1998 high. As the beef cow herd decline continues, the 1999 calf crop is expected to be the smallest since the late 1980's and early 1990's, and the 2000 calf crop is likely to drop even further, possibly to the lowest level since the early 1960's. Cattle inventories have been declining since 1996.

Large supplies of competing meats at relatively lower prices are likely to hold down cattle price increases in 2000. This will result in only a modest increase in heifer retention from this year's calf crop, but will pull down an already much-reduced feeder cattle supply. Feeder cattle supplies outside feedlots on April 1 were down 4 percent from a year earlier. Even larger declines are likely over the next couple of years, until herd expansion begins.

Fed-cattle prices may rise to the lower $70's in 2000, up from the mid-$60's this year and $61.48 in 1998. Prices are not expected to rise to the upper $60's until late this year, and then only if female retention increases. Similarly, prices for heavier yearling feeder cattle will remain under pressure until fed-cattle prices rise and supplies decline further. Feeder cattle prices may average in the lower $80's next year, the highest since 1993.

*Pork* production in 2000 is forecast to be about 2 percent lower than the 18.8 billion pounds expected this year. The reduction is due to cutbacks producers made to the breeding herd starting in late 1998 and continuing in 1999. The March *Hogs and Pigs* report indicates that the number of

**U.S. Livestock and Poultry Products—Market Outlook**

| | | Beginning stocks | Production | Imports | Total supply | Exports | Ending stocks | Consumption | | Primary market price |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Total | Per capita | |
| | | *Million lbs.* | | | | | | | *Lbs.* | *$/cwt* |
| Beef | 1999 | 393 | 25,628 | 2,705 | 28,726 | 2,435 | 370 | 25,921 | 66.5 | 63-66 |
| | 2000 | 370 | 24,156 | 2,800 | 27,326 | 2,300 | 365 | 24,661 | 62.8 | 71-76 |
| Pork | 1999 | 586 | 18,870 | 700 | 20,156 | 1,250 | 475 | 18,431 | 52.4 | 36-38 |
| | 2000 | 475 | 18,505 | 700 | 19,680 | 1,200 | 475 | 18,005 | 50.8 | 40-43 |
| | | | | | | | | | | *¢/lb.* |
| Broilers | 1999 | 711 | 29,175 | 4 | 29,890 | 4,500 | 750 | 24,640 | 78.5 | 57-59 |
| | 2000 | 750 | 30,709 | 4 | 31,463 | 4,575 | 800 | 26,088 | 82.4 | 54-58 |
| Turkeys | 1999 | 304 | 5,212 | 1 | 5,517 | 400 | 250 | 4,866 | 17.8 | 64-67 |
| | 2000 | 250 | 5,332 | 0 | 5,582 | 400 | 300 | 4,882 | 17.8 | 61-67 |
| | | *Million doz.* | | | | | | | *No.* | *¢/doz.* |
| Eggs* | 1999 | 8.4 | 6,832.0 | 4.0 | 6,844.4 | 190.0 | 5.0 | 5,685.9 | 250.2 | 69-72 |
| | 2000 | 5.0 | 6,980.0 | 4.0 | 6,989.0 | 200.0 | 5.0 | 5,774.0 | 252.0 | 65-70 |

Based on May 12, 1999 *World Agricultural Supply and Demand Estimates*.
*Total consumption does not include eggs used for hatching.
See appendix tables 10 and 11 for complete definition of terms.

Economic Research Service, USDA

animals kept for breeding was down 6 percent from the same period a year ago. Also, producers indicate they intend to have 7 percent fewer sows farrow during March-August than a year earlier. The pigs farrowed during this period should reach slaughter weight in late 1999 and early 2000. The percentage decline in the pig crop is expected to be slightly less than farrowings due to an expected rise in pigs per litter.

Hog prices have rebounded from the extreme lows in late 1998, reaching the mid- to high $30's per cwt—about the break-even point for many hog producers. The turnaround in prices occurred once federally inspected slaughter dropped from more than 2 million head in the non-holiday weeks in late 1998 and early 1999 to 1.85 million in late April and early May. The improvement in producers' returns should begin to stabilize or increase breeding herd numbers. With continued low feed costs and with hog prices expected to average near $40 per cwt in second-half 1999, producers are expected to retain more gilts for breeding. Thus, pork production is expected to rise modestly in late 2000.

Hog prices are expected to average in the low $40's per cwt in 2000 due to the modest production cutbacks and lower beef supplies. However, the lackluster pork export market and rising broiler production will dampen hog price increases.

Retail pork prices have not exhibited the volatility of hog prices. The retail pork price index (Bureau of Labor Statistics) declined only 5 percent in 1998 while hog prices dropped 36 percent. In 1999, retail prices may drop another 1-2 percent due to larger pork production in first-half 1999, and because of the lag of retail price changes relative to farm price changes. In 2000, retail prices are expected to rise about 3-4 percent as pork production is reduced.

*Poultry* output is expected to remain strong in 2000, with production increases forecast for broilers, turkeys, and eggs. Net returns for processors in all three sectors were relatively attractive in 1998 and are expected to continue so during 1999. Continuation of the downward trend in feed costs for 1999 will offset some of the impact on producers of lower prices for broilers and eggs.

Broiler returns (excluding interest and overhead costs) at the whole-bird level, are expected to remain in double digits in 1999 after setting a record high at 14 cents per pound in 1998. As a result, production is expected to continue increasing in 2000 at 5-6 percent. Larger gains might be realized if exports strengthen over the next 12 months. Expected economic improvement in Asia will encourage U.S. poultry exports, but increased shipments to Russia, the largest U.S. market, likely will come very slowly.

Turkey production is expected to rise about 2 percent in 2000. Negative net returns from 1996 through mid-1998 discouraged production growth during the last 3 years. In late 1998, returns turned positive and are likely to continue into 2000, due in part to strength in the export market.

Egg returns, which have been at double-digit levels for the last 3 years, are expected to continue strong in 1999, and egg production is expected to continue increasing in 2000 at 2-3 percent. Weaker exports of egg products have slowed output growth in the egg-breaking sector to below 5 percent in 1999; 3-percent growth is expected in 2000. Increased strength of domestic shell egg sales in 1998 led to a rise in per capita shell egg consumption as rapid as the upturn in egg product consumption for the first time since 1978. Increasing domestic consumption for both sectors of the egg market are expected to continue in 2000. **AO**

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**Livestock, Dairy, & Poultry**

## Milk Production Overtakes Demand & Dairy Prices Drop

The dairy industry has undergone a major downward price adjustment since last fall as large gains in milk production finally overtook very strong demand for dairy products. With expansion momentum already established, the availability of inexpensive feed is likely to result in large milk output gains throughout 1999. Although dairy demand is expected to continue to reflect the strength of the general economy, commercial use is not likely to absorb additional supplies except at prices far below the 1998 records.

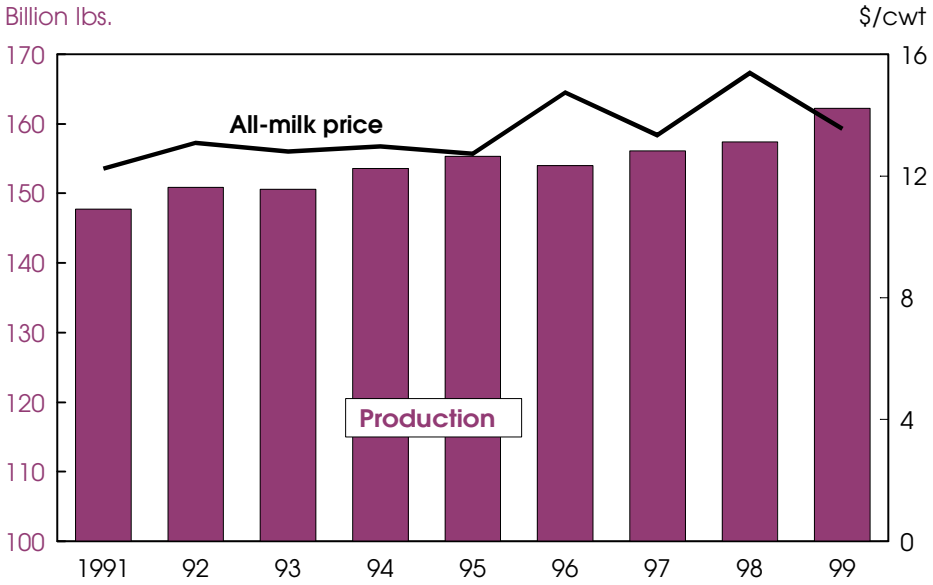
The demand strength that made 1998 such an extraordinary year persisted into 1999. Sales of all dairy products in first-quarter 1999 rose 2 percent from a year earlier on a skim-solids basis and almost 2 percent on a milkfat basis, very dramatic gains in light of higher prices. Retail prices averaged 9 percent higher, while wholesale buyers faced prices ranging from nearly unchanged to sharply higher depending on the product.

But early-1999 sales varied by product. Commercial use of cheese rose sharply for American as well as other varieties. Fluid milk sales were generally lackluster but held steady compared with fractional declines typical of most months in 1998. Use of skim milk and cream directly in processed foods appears to be higher, but butter sales are substantially lower, reflecting the delayed effects of last year's high prices. Use of nonfat dry milk and other forms of separated skim solids—the one weakness in 1997-98 dairy demand—has risen, and relatively low and stable prices for these products over the last few years may have generated a lasting sales recovery.

Demand during the rest of 1999 is projected to stay fairly brisk. Economic growth is likely to continue and consumers are expected to remain willing to

# Briefs

## Average Milk Price Expected Down As Production Rises




Average price for all milk delivered to plants and dealers. 1999 forecast.
Economic Research Service, USDA

spend. At this point, there is no evidence of a major consumer reaction to the higher prices of late 1998-early 1999.

Milk output in first-quarter 1999 rose more than 3 percent from a year earlier, as relatively favorable 1996-98 returns slowed declines in milk cow numbers, down 0.4 percent from a year earlier and only slightly below third-quarter 1998. Strong producers have begun to accelerate expansion plans after a period of devoting improved returns to buttressing their financial position. These expansions have put substantial pressure on prices of replacement heifers, with very high prices reported across the country.

Very favorable weather and record milk-feed price ratios triggered a surge in milk per cow, despite still-tight supplies of dairy-quality forage. The almost 4-percent jump over first-quarter a year ago brought milk per cow close to the longrun trend for the first time in about 4 years. January-March production illustrates the probable pattern of milk production during the rest of 1999 and into 2000.

Returns over concentrate cost as well as the milk-feed price ratio will trail the 1998 records but will generally stay above levels in 1997 and the early 1990's. These milk-feed relationships likely will sustain the expansion begun last autumn. Milk output is projected to increase about 3 percent this year, with large rises persisting until yearend 1999. Milk cow numbers for the remainder of the year are expected to stay near early-1999 levels as growth in new and expanding herds offsets a still-substantial exit of milk producers.

On April 1, commercial stocks of butter and nonfat dry milk were large and perhaps more than needed in the coming months. Cheese stocks were fairly close to levels of recent years at this time of year, and probably near the level desired by manufacturers and wholesalers. Although cheese production has increased in recent months, brisk sales have reinforced the need to maintain stocks.

In early March, dry milk contracts for exports subsidized under USDA's Dairy Export Incentive Program (DEIP) reached the limit established in the Uruguay Round Agreement on Agriculture. Heavy production of nonfat dry milk and restricted DEIP opportunities resulted in government price support purchases of about 70 million pounds between March 1 and mid-May. USDA recently announced that 20,000 tons of DEIP allocations not used in previous years would be made available during May-June. Even so, sizeable support purchases are expected to continue this spring and summer.

The increases in milk production may leave late spring cheese prices somewhat below mid-May levels, but price decreases are projected to be small if demand remains as brisk as expected. Meanwhile, milkfat markets will tighten as milkfat production is low during the summer months and use for ice cream production picks up. Butter prices may be unsettled. Nonfat dry milk prices will likely stray little from the support purchase price at least until autumn.

The Basic Formula Price (BFP)—the value of milk for manufacturing—is expected to slip below $11 per cwt in late spring-early summer, a decline of more than a third from the December record. However, the strongest effect of the surge in milk production may be the limiting of usual seasonal rises in the BFP during the second half of 1999, when the average BFP is projected to be the lowest since the early 1990's. For the year, the BFP is expected to average below $12 per cwt, down sharply from 1998's $14.20. The decline in the average price of all milk will not be as sharp, because of high prices of milk for fluid use in early 1999. Even so, the average milk price is projected to fall almost $2 per cwt this year from an average $15.42 in 1998.

This year's first-quarter 9-percent increase in retail prices of dairy products over first-quarter 1998 reflects the carryover effects of high farm and wholesale prices in late 1998. The current high retail prices are projected to decline as 1999 progresses, so the overall increase for the year is projected to be 4 to 5 percent. The farm-retail price spread, after declining significantly in 1998, will widen sharply in 1999. **AO**

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**Specialty Crops**

# Stone Fruit Supplies Likely To Increase Slightly in 1999

Unfavorable weather in mid-April tempered earlier expectations of a strong crop of California stone fruits (peaches, nectarines, and plums) in 1999. Weather problems caused the California Tree Fruit Agreement—a grower funded organization that promotes fresh-market stone fruits—to revise packout estimates downward 17 percent. An early morning frost severely affected some California orchards, while spotty hailstorms also damaged some orchards. Prior to that, weather had been generally favorable for crop development—blooms came in strong and fruit set appeared heavy. Although cold weather had slowed the bloom stage, warmer weather late in the winter helped the buds to swell. Most varieties of nectarines and plums and some of the freestone peaches were past full bloom around the third week of March. Because of what appeared to be a heavy fruit set, some growers were already actively thinning the early stone fruit varieties and others were pruning branches in late March-early April.

USDA's initial forecast for 1999 puts California peach production at 1.79 billion pounds, up 2 percent from last year, but 5 percent below 1997. The December hard freeze that caused serious damage to California's 1998/99 citrus crop helped provide above-average chill hours to the State's tree fruit orchards this winter. Data from the California Tree Fruit Agreement indicate that the state's tree fruit orchards have not had the chill hours required for full dormancy since 1994. Trees that are able to go through a full dormant stage usually produce strong fruit—less susceptible to pest and diseases, less prone to bruising, and capable of a longer shelf-life. This winter, by receiving about 1,331 chill hours compared with an average 1,100 chill hours, the quality of California-grown peaches, nectarines, and plums could be much improved from previous years.

Because California produces a major proportion of U.S. stone fruits—over 70 percent of domestic-grown peaches and over 90 percent of U.S. plums and nectarines—supply conditions there significantly impact overall stone fruit prices. Last year, heavy winter rains and spring hailstorms reduced California's stone fruit production 11 percent below 1997, and raised U.S. grower prices. Plums and nectarines were hit hardest by the bad weather and their prices were up sharply.

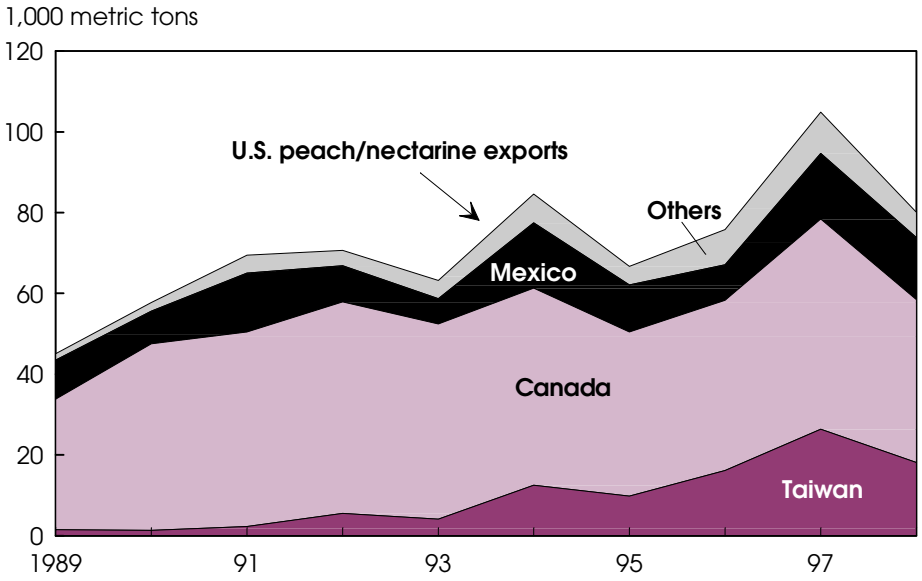
Peaches account for over 80 percent of combined U.S. production of the three stone fruits. South Carolina and Georgia follow California's 70-percent share of peach production at a far distance, averaging about 6 and 5 percent of the U.S. total over the last 5 years. In 1998, drought conditions reduced peach production in the two states to a total of 210 million pounds, down 34 percent from 1997. South Carolina and Georgia typically market their peaches from May through August while California's season usually runs May through September.

Orchards in the Southeast received inadequate chill hours this winter and low soil moisture conditions were a concern. However, rains in late April provided relief to peach orchards in Georgia where 61 percent of the crop is reported to be in good-to-excellent condition. But South Carolina's peach crop has suffered some damage from hail.

According to the Bureau of Labor Statistics, 1998 retail prices for peaches averaged well above any of the previous 5 years. (Retail prices are not reported for plums and nectarines.) During 1999, prices for fresh-market fruit likely will be about average, given increased supplies and good quality from this year's California harvest. Because of delayed fruit development from the early April cool weather, expected harvest time in California is about 5 days later than last year's delayed crop and likely will put upward pressure on early season prices.

Although U.S. stone fruit exports in 1998 were limited somewhat by smaller domestic crops and higher prices, the competitiveness of U.S. stone fruits in the global market should improve in 1999 because of adequate supplies, moderate prices, and good quality. However, export opportunities could be narrowed by continued weakness in Asian economies and by new pesticide tolerance standards effective in

**Taiwan's Share of U.S. Peach/Nectarine Exports Has Enlarged In the 1990's**




Economic Research Service, USDA

## Briefs

June 1999 in Taiwan, a large and growing market for U.S. stone fruits.

In 1998, fresh peach/nectarine exports fell 24 percent from the previous year, and shipments to all major markets—Canada, Taiwan, and Mexico—were lower. About half the volume of U.S. peach/nectarine exports go to Canada, but during the 1990's, Taiwan's share has increased from just 3 percent of total exports in 1990 to nearly 23 percent in 1998. U.S. fresh plum exports fell 25 percent in 1998, declining sharply to large markets such as Canada, Taiwan, and Hong Kong, but exports to Mexico, another large market, remained strong. These four markets accounted for over 85 percent of total U.S. plum exports in 1998.

Chile is the United States' largest foreign supplier of peaches, nectarines, and plums, accounting for 99 percent of annual total import volume during the 1990's. More than half of Chile's peach and nectarine exports and over one-third of their plum exports are bound for the United States, influenced mainly by proximity of the market (since stone fruits generally have a relatively short shelf-life) and the counter-seasonal nature of Northern Hemisphere and Southern Hemisphere fruit production.

Over 90 percent of the total volume of U.S. peach/nectarine imports and plum imports enter the U.S. market in December-March. From December 1998 through February 1999, peach/nectarine imports were up 35 percent from the same period a year earlier, while plum imports were up 16 percent. Relatively good weather conditions in Chile during most of the growing period, compared with the previous two years, contributed to a larger and higher quality stone fruit harvest in 1998/99. **AO**

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**The next issue** of *Agricultural Outlook* will appear in **August**

and

*AO*'s series on **risk management** will resume